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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

APR 12 1996

In the Matter of)
Federal-State Joint Board)
on Universal Service)

CC Docket No. 96-45

FEDERAL

OFFICE OF SECRETARY

COMMISSION

Matanuska Telephone Association, Inc.

Response to NPRM Released March 8, 1996

Matanuska Telephone Association (MTA) respectfully submits these comments in CC Docket No. 96-45 to assist the Federal Communications Commission (FCC) in establishing a fair, just, and equitable system of telecommunications universal service as required by the Telecommunications Act of 1996. MTA has directly commented in past discussions of universal service and has actively supported other industry associations such as the Alaska Telephone Association (ATA), the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO), the National Telephone Cooperative Association (NTCA), Western Rural Telephone Association (WRTA), and the National Exchange Carriers Association (NECA). Due to MTA's relatively small size and limited resources, MTA has relied on the above organizations to advance its concerns in telecommunications policy, however the huge impact of universal policy on MTA's subscriber-owners mandates that MTA make its concerns known to the FCC directly.

MTA is Alaska's third largest Local Exchange Carrier (LEC) with 39,000 access lines as of Dec. 31, 1995. MTA is unique in the Alaskan LEC system in that, unlike the urban LECs or the LECs serving remote Alaska, MTA has a large, continuous, and sparsely populated serving area with 11 exchanges spread over 10,000 square miles. This is different from the urban LECs which have more compact and dense serving areas, and the "Bush" with its isolated villages connected by satellite. MTA faces the challenge of providing universal service over a large area that has an inhospitable climate, rugged terrain, and most importantly, very long local loops.

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While MTA believes that all issues raised in the Notice of Proposed Rule Making (NPRM) are important, MTA's comments will focus on those issues that have the greatest impact on universal service in its serving area.

Definition of Core Services

MTA supports a definition of universal service that provides voice grade access, touch-tone dialing, single party service, access to emergency services, directory listing, and current FCC equal access requirements. MTA also supports the concept that universal service should be expanded to include access to data communications and that today's environment requires the ability to communicate at the integrated services digital network (ISDN) "functionality" level. Consideration of new services under universal service must strike a balance between desired public policy objectives on one hand and market forces on the other.

Existing USF and DEM Programs

The FCC, through the Dial Equipment Minutes (DEM) weighting factor, has supported the higher per minute switching cost of smaller LECs. It is only logical that universal service needs to cover the entire communications path not just the loop (common line). MTA feels that comments presented in Docket CC. 80-286 amply demonstrate that smaller LECs have higher switching costs. MTA believes some recovery mechanism for higher switching costs must be included in any universal service proposal. If, however, the FCC truly feels that there is no other recourse than to replace DEM, then a transition period of eight to ten years would be necessary to avoid a severe, adverse impact to smaller LECs.

Cost Based Rather Than Proxy Models

Proxy models [such as the Bench Mark Costing Model (BCM)] are inherently inaccurate since no proxy model is directly linked to actual cost. Model builders in the BCM have already demonstrated the natural tendency in any proxy model to reject variables because of cost or difficulty to obtain: MTA

(along with the rest of Alaska) has been excluded! Proxy models require highly subjective judgments such as: what level of statistical error is acceptable? what variables to include/exclude? who will verify the proxy data?, etc. Miscalculations in proxy models will lead to adverse penetration levels because of mismatched universal funding and intended recipients.

Other Universal Service Support Mechanisms

MTA opposes the elimination of Carrier Common Line (CCL) access charges as a by-product of the formation of the rule making on universal service. MTA contends that CCL must be viewed in light of at least four major factors:

1. MTA does not agree that CCL is an implicit subsidy mechanism. The local loop provides two distinct services: (1) the path for calls carried over it, and (2) continuous access to the network itself. Any interexchange carrier requires both of these services to provide any meaningful service to the end user. Equity (fairness) would dictate that since the loop is being used by an interexchange carrier, they should be responsible for at least some portion of the cost. All services which use the local loop should pay for it.

2. CCL should not be eliminated because some users feel that a usage based charge is inappropriate for a facility that is not usage based. Alternate methods exist for recovering a CCL charge such as a bulk bill (already practiced in intrastate access charges in Alaska).

3. CCL is more than just a Universal Service support question and really belongs in the area of access charge reform. MTA does not see a pressing need to address CCL in the USF NPRM but suggests that CCL can be dealt with in the access reform proceeding.

4. Moving CCL to Subscriber Line Charges (SLC) will adversely affect penetration levels. Historically low local rates have always been social policy and these social policy considerations are not changed by the 1996 Telecommunications Act. Quality services is the number one Goal and Principle of

the 1996 Act and emphasizes just, reasonable, and affordable rates. Increasing the SLIC, which is a fixed charge regardless of any usage, will force marginal customers off the local network, just the opposite of the intent of the 1996 Act.

Schools, Libraries, and Health Care Costs


MTA supports the social policy goal in Section 254(B)(6) which says that schools, health care facilities, and libraries should have access to advanced telecommunications services. MTA also agrees with Section 254(h)(1)(B) which prescribes a discount for the service received by the school, library, or health care facility. MTA would, however, like to see the amount of the discount funded separately from other universal service obligations. MTA feels that a separate fund will allow such social policies to be addressed independently.

Conclusion

Although the Telecommunications Act of 1996 is far-reaching and sweeping in scope, it is still very clear that the commitment to universal service for all Americans remains an important focus of the Act. MTA believes that universal service and the pro-competitive emphasis of the Act are not mutually exclusive and that mechanisms can be put in place to ensure that the historic commitment to universal service is not damaged in the arena of competition. Although support for high cost companies may assume a different form, that support must still be there. To do otherwise will violate the intent of the Act.

Respectfully submitted this 12th day of April, 1996.

MATANUSKA TELEPHONE ASSOCIATION, INC

By: 

Greg Berberich
Vice President of Government and Regulatory Affairs

Service List
FCC Docket CC 95-45
Universal Service NPRM

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Comments were served this 12th day of April, 1996, by mailing copies thereof by United States Mail, first class postage prepaid, to the persons listed below.

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